

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 STRE-00 ICAE-00 SSO-00 INRE-00
AID-05 CEA-01 CIAE-00 COME-00 EB-08 EA-10 FRB-03
INR-10 NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00
LAB-04 SIL-01 AGRE-00 OMB-01 SS-15 /099 W
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O R 291115Z JUL 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 5464
INFO ALL OECD CAPITALS
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USOECD

USEEC

USMTN

PASS EB/ITP

PASS ESTR ELECTRONICALLY FOR HEIMLICH

E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: STEEL RESOLUTION: MEETING OF OECD AD HOC
STEEL GROUP JULY 26-27

1. SUMMARY: AD HOC STEEL GROUP MADE CONSIDERABLE
PROGRESS TOWARD CONSENSUS ON STEEL RESOLUTION. AGREED
CHANGES IN TEXT ARE DESCRIBED BELOW, AND REVISED TEXT
WILL BE TRANSMITTED AS SOON AS AVAILABLE. PARAGRAPH
ON PARTICIPATION ON NON-MEMBERS WAS LEFT FOR LATER
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CONSIDERATION IN CONNECTION WITH COUNCIL DECISION
FOR ESTABLISHING COMMITTEE, BUT GROUP REACHED CONSENSUS
THAT LIMITED NUMBER OF NON-OECD COUNTRIES WILL BE
INVITED. CURRENT SECRETARIAT THINKING IS THAT OECD
COUNCIL WOULD TAKE FINAL DECISION ON INVITATIONS, BUT
BY "NEGATIVE CONSENSUS" (I.E. UNANIMOUS VOTE OF
COUNCIL WOULD BE REQUIRED TO REJECT A STEEL COMMITTEE

NOMINATION). OTHER OUTSTANDING ISSUES ARE (A) REPORTING OF VRA'S, WHERE EC IS CONSIDERING U.S. PROPOSAL TO REMOVE PROBLEM BY MAKING A FOOTNOTE REFERENCE TO SAFEGUARDS CODE IN MTN; (B) PRICE GUIDELINES STATEMENT, WHERE SEVERAL DELS EXPRESSED DISSATISFACTION WITH EXISTING TEXT; LANGUAGE WAS REARRANGED FOR CLARITY, BUT DELS COULD NOT AGREE ON REVISED LANGUAGE (JAPANESE IN PARTICULAR RAISED OBJECTIONS) AND DECIDED TO RECONSIDER ENTIRE PARA IN CAPITALS. (C) REFERENCE TO "TRADITIONAL TRADE FLOWS," WHERE AUSTRALIANS OVER EC OBJECTIVES WANT WORD "TRADITIONAL" DELETED; (D) AUSTRALIAN DEMAND FOR FOOTNOTE STATING NOTHING IN RESOLUTION ALTERS GATT RIGHTS AND OBLIGATIONS OF INDIVIDUAL COUNTRIES. EXPORT CREDITS LANGUAGE IS ALSO FORMALLY IN BRACKETS, ALTHOUGH PARTICIPANTS EXPRESSED CONFIDENCE PROBLEMS COULD BE RESOLVED. EC MADE IT CLEAR IN BOTH TRILATERAL AND PLENARY SESSIONS THAT ITS FINAL ACCEPTANCE OF ESTABLISHMENT OF COMMITTEE IS CONDITIONAL ON SATISFACTORY RESOLUTION OF OUTSTANDING U.S. ANTIDUMPING CASES. SECRETARIAT WILL PREPARE DRAFT COUNCIL DECISION AND 1979 PROGRAM OF WORK AND BUDGET FOR COMMITTEE FOR CONSIDERATION AT GROUPS NEXT (AND PROBABLY LAST) MEETING, WHICH WAS SCHEDULED FOR SEPTEMBER 20-21. END SUMMARY.

2. INITIAL COMMITMENTS: FOLLOWING SUMMARIZES
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CHANGES MADE IN COMMITMENTS TEXT, DEBATE OVER WHICH
TOOK UP MOST OF MEETING.

(A) REPORTING OF ACTIONS (8A3): TO
RESOLVE US/EC DIFFERENCES OVER WHETHER VRA'S SHOULD BE
REPORTED TO COMMITTEE, U.S. PROPOSED FOOTNOTE
PERTAINING TO "ALL ACTIONS" AS FOLLOWS: "IT IS UNDER-
STOOD THAT THESE INCLUDE ALL SAFEGUARDS CODE NEGOTIATED
IN THE MTN. EC SAID IT WAS FAVORABLY DISPOSED TO THIS
SOLUTION AND AGREED TO LET OTHERS KNOW WHETHER IT WAS
ACCEPTABLE AT AN EARLY DATE. BOTH PROPOSED FOOTNOTE
AND EXISTING REFERENCE TO VRA'S ARE IN BRACKETS.

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(B) PRICE GUIDELINES: AUSTRALIANS, CANADIANS,
AND SWEDES OBJECTED TO DRAFTING OF 8A(5 AND 6), WHILE
EC ALSO EXPRESSED CONSIDERABLE MISGIVINGS. PARA
8A5 WAS CHANGED TO STATE THAT GUIDELINES SHOULD BE
IN CONFORMITY WITH THE ANTIDUMPING CODE. PARA 8A6
WAS REARRANGED AS FOLLOWS FOR CLARITY:

"SUCH PRICE GUIDELINES SHOULD EITHER NOT EXCEED THE
LOWEST NORMAL PRICES IN THE SUPPLYING COUNTRY OR
COUNTRIES WHERE NORMAL CONDITIONS OF COMPETITION ARE
PREVAILING, OR NOT EXCEED PRICES COMPRISING THE SUMS
OF THE FULL COSTS OF PRODUCTION (INCLUDING OVERHEADS)
AND PROFIT IN SUCH COUNTRY OR COUNTRIES; DELIVERY
COSTS TO THE IMPORTING MARKET AND IMPORT DUTIES MAY
BE INCLUDED AS REQUIRED."

JAPANESE, HOWEVER, INSISTED (WITH SOME AGREEMENT FROM
EC) ON INSERTING WORD "LOWEST" BEFORE "FULL COSTS," OR
REFERENCE TO MOST EFFICIENT PRODUCING COUNTRY AFTER
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"PROFIT." SEVERAL DELS NOTED TECHNICAL COMPLEXITY
OF ISSUE, AND IT WAS AGREED TO RECONSIDER WHOLE
PARA IN CAPITALS.

(C) EXPORT CREDITS (8B): EC HAD PROBLEMS WITH
COMMITMENT TO AVOID ANY FORM OF COMPETITIVE SUBSIDIZA-
TION. AS A SUBSTITUTE, REVISED TEXT RECALLS TRADE

PLEDGE COMMITMENT TO AVOID DESTRUCTIVE COMPETITION,
AND RECORDS AGREEMENT TO ABIDE BY OECD ARRANGEMENT AND
CONTRIBUTE TO AVOIDANCE OF COMPETITIVE SUBSIDIZATION.
TEXT WAS LEFT IN BRACKETS AS NEITHER EC NOR US WERE
PREPARED TO GIVE FORMAL APPROVAL. HOWEVER, US URGED
THAT TEXT BE STRENGTHENED RATHER THAN WEAKENED ANY
FURTHER.

(D) DOMESTIC POLICIES (8C): REVISED TEXT REFERS
TO POSITIVE ADJUSTMENT ORIENTATIONS ADOPTED BY OECD
MINISTERS AND, AT SWEDISH INSISTENCE, OMITTS REFERENCE
TO "ARTIFICIALLY RAISING STOCK LEVELS." US NOTED
IT FEELS FREE TO RAISE QUESTION OF STOCKING INCENTIVE
POLICIES WHICH AIM TO AVOID ADJUSTMENT EVEN THOUGH
THESE ARE NOT EXPLICITLY MENTIONED.

(E) TRADITIONAL TRADE FLOWS (8A4): AUSTRALIA
OBJECTED STRONGLY TO WORD "TRADITIONAL," ARGUING THIS
IMPLIED A FREEZING OF TRADE FLOWS WHICH IS CONTRARY TO
INTERESTS OF MOST EFFICIENT PRODUCERS. US AND EC
ARGUES THIS WORD WAS NECESSARY TO HELP GUIDE ACTION
IN CRISIS SITUATIONS, AND IT WAS LEFT IN BRACKETS.

3. OBJECTIVES: PARA ON REVIEW OF GOVERNMENT POLICIES
WAS REVISED TO RESPOND TO AUSTRALIAN AND CANADIAN
CONCERNS ABOUT "ASSESSING APPROPRIATENESS." COMMITTEE
WILL NOW "REVIEW AND ASSESS GOVERNMENT POLICIES, ETC."
AUSTRALIANS ALSO DEMANDED FOOTNOTE TO REFERENCE
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TO GATT RULES IN THIS SECTION WHICH WOULD READ: "IT
IS NOTED THAT REFERENCES TO GATT RULES AND PROVISIONS
IN THE TEXT DO NOT ALTER THE GATT RIGHTS AND OBLIGATIONS
OF INDIVIDUAL MEMBER COUNTRIES." US AND EC ARGUED
THIS WAS SELF-EVIDENT, WOULD CLUTTER TEXT AND RAISE
QUESTIONS IN MINDS OF READERS. AUSTRALIANS HOWEVER
SAID THEY HAD BEEN BURNED IN THE OLD MULTIFIBER
AGREEMENT -- WHERE THEY FELT THEY HAD HAD ASSURANCES
ABOUT THEIR GATT RIGHTS AND WERE LATER TOLD THEY HAD
SIGNED SOME OF THEM AWAY -- AND THIS TIME NEEDED
EXPLICIT SAFEGUARDS. PROPOSALS FROM CHAIR THAT THEIR

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CONCERNS BE RECORDED IN MINUTES OR COUNCIL DECISION
WERE REJECTED BECAUSE EVENTUAL NON-OECD PARTICIPANTS
MIGHT NOT HAVE ACCESS TO THESE. TEXT WILL INCLUDE
AUSTRALIAN FOOTNOTE IN BRACKETS.

4. WORK PROGRAM: SWEDISH PROPOSAL TO ADD IDEA OF
"STIMULATION OF STEEL DEMAND" TO ITEM 5, "DOMESTIC
POLICIES TO SUSTAIN STEEL PRODUCTION IN TIMES OF
CRISES," FOR CONSISTENCY WITH SIMILAR POINT IN PARA
1, WAS ADOPTED. WORDS "EXTENDED INTERNATIONALLY"
IN ITEM ON EXPORT CREDITS WERE OMITTED AS
SUPERFLUOUS.

5. PARTICIPATION OF NON-MEMBERS ISSUE: US HAD BI-
LATERAL SESSION WITH SECRETARY GENERAL VAN LENNEP
TO DISCUSS NON-MEMBERS QUESTION, ON WHICH SECRETARIAT
HAD PREPARED INFORMAL COMMENTARY (GIVEN TO US, EC AND
JAPAN) OUTLINING CERTAIN PROBLEMS RAISED BY
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EXISTING TEXT OF STEEL RESOLUTION. IN THIS MEETING
US MADE CLEAR THAT AN AGREEMENT THAT A LIMITED NUMBER
OF NON-MEMBERS WOULD BE INVITED TO PARTICIPATE IN
COMMITTEE WAS CRUCIAL TO US DECISION TO SEEK
ESTABLISHMENT IN OECD AND THAT, WHATEVER ROLE OF
COUNCIL, PRESUMPTION MUST BE THAT COMMITTEE NOMINA-
TIONS FOR INVITATIONS WOULD BE OVERRIDDEN ONLY IN
EXCEPTIONAL POLITICAL CIRCUMSTANCES. OUTCOME OF

DISCUSSIONS WAS DEVELOPMENT OF SECRETARIAT CONCEPTION
ALONG FOLLOWING LINES, WHICH WAS PRESENTED TO BOTH
TRILATERAL AND PLENARY MEETINGS: A) THERE SHOULD
BE CLEAR AGREEMENT ON PARTICIPATION OF A LIMITED
NUMBER OF COUNTRIES AND ON WHICH ONES WOULD BE
PRIMARY PROSPECTS; (THIS COULD BE RECORDED IN A
CONFIDENTIAL MINUTE); B) SECTION ON PARTICIPATION
SHOULD BE MOVED FROM RESOLUTION TO THE NON-PUBLIC
COUNCIL DECISION ESTABLISHING THE COMMITTEE
(THIS TO AVOID COUNTRIES "APPLYING" FOR
MEMBERSHIP AND EMBARRASSMENT OF POSSIBLY REFUSING
THEM); C) TEXT OF CRITERIA FOR PROPOSING INVITATIONS
SHOULD BE REVIEWED. STEEL COMMITTEE WOULD HAVE ROLE
OF DETERMINING WHEN A COUNTRY MET THE CRITERIA; AND D)
COUNCIL WOULD HAVE FINAL, BUT PRO FORMA
DECISION ON INVITATIONS. EITHER VOTING ON SUCH A
QUESTION WOULD BE RESTRICTED TO THOSE OECD MEMBERS
ALSO MEMBERS OF STEEL COMMITTEE OR (AS SECRETARY
GENERAL APPEARED TO FAVOR) IT WOULD REQUIRE
UNANIMOUS DECISION OF COUNCIL (ALL MEMBERS VOTING)
TO REJECT NOMINATION PROPOSED BY COMMITTEE
("NEGATIVE CONSENSUS").

6. IN TRILATERAL, EC AND JAPAN BOTH INDICATED THIS
SORT OF APPROACH SEEMED TO RESPOND TO A NUMBER OF
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THEIR CONCERNS ABOUT EXISTING TEXT'S HANDLING OF
NON-MEMBERS ISSUE, THOUGH NEITHER WAS WILLING TO
ADDRESS DETAILS OF COUNCIL ROLE. US PROPOSED
THAT LIST OF PRIMARY INVITEES SHOULD BE AGREED
BEFOREHAND. EC WAS EQUIVOCAL ON THIS POINT, ESPECIALLY
REGARDING RECORDING SUCH AGREEMENT, BUT AGREED
FULLY THAT 3 OR 4 COUNTRIES SHOULD BE INVITED.
COMMISSION REP ASKED SECRETARIAT PROPOSE DRAFT
COUNCIL DECISION WITH ATTENTIVE APPROACHES FOR
CONSIDERATION BY GROUP AT NEXT MEETING. US
INDICATED CONSIDERABLE INTEREST IN "NEGATIVE
CONSENSUS" CONCEPT.

7. FEW REACTIONS WERE NOTED FROM OTHER DELS WHEN
ISSUE WAS DISCUSSED IN PLENARY. AUSTRALIANS THOUGHT
OECD HEADS OF DELS SHOULD TAKE UP QUESTION. SPAIN
DOUBTED NON-MEMBERS WOULD WANT TO JOIN COMMITTEE
GIVEN OBLIGATIONS IMPOSED. CANADA, IN BILATERAL,
SUGGESTED VENEZUELA BE ADDED TO LIST OF 4 KEY
INVITEES MENTIONED BY US (KOREA, BRAZIL, MEXICO,
INDIA). SWEDES STRESSED IMPORTANCE OF NOT

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ESTABLISHING PRECEDENT THAT WOULD DILUTE OECD
AND LINKED PARTICIPATION BY NON-MEMBERS TO CONCEPT OF
EXCEPTIONAL SITUATION IN WORLD STEEL SECTOR
AND, FROM THEIR POINT OF VIEW, TEMPORARY NATURE
OF COMMITTEE.

8. REVISED TEXT OF RESOLUTION HAS PRO MEMORIA ITEM
UNDER "PARTICIPATION" NOTING THAT THE CONSENSUS
THAT A LIMITED NUMBER OF NON-MEMBERS WILL BE INVITED IS
TO BE FORMULATED IN THE DRAFT COUNCIL DECISION.
SECRETARIAT WILL BE DRAFTING PROPOSED COUNCIL
DECISION INCORPORATING A PROPOSAL ON NON-MEMBERS
ISSUE FOR PRESENTATION TO GROUP AT ITS SEPTEMBER
MEETING. ANY SPECIFIC VIEWS US HAS AS TO CONTENT
OF THIS TEXT AND WAY IT SHOULD BE HANDLED SHOULD
BE PROVIDED TO MISSION FOR DISCUSSION WITH
SECRETARIAT AT AN EARLY DATE.

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9. DURATION QUESTION: NORWAY, SWEDEN, AND CANADA STATED IN THEIR VIEW STEEL COMMITTEE WAS NOT TO BE A PERMANENT BODY BUT WAS LINKED TO THE EXISTENCE OF THE EXTRAORDINARY SITUATION IN THE INDUSTRY. EC CONSIDERED THAT THE COMMITTEE HAD NO SPECIFIED TIME LIMIT AND THAT CONTINUATION OF ITS WORK WAS OPEN FOR DISCUSSION AT SOME LATER TIME. SECRETARIAT NOTED THAT ANNUAL BUDGET APPROVALS PROVIDED OPPORTUNITY FOR EVALUATING ACTIVITIES OF COMMITTEE. IN THIS CONNECTION SECRETARIAT INTENDS TO CIRCULATE DRAFT PROGRAM OF WORK AND BUDGET FOR COMMITTEE'S 1979 ACTIVITIES AT AN EARLY DATE. DELS WHO SPOKE AGREED WITH PRINCIPLE THAT COMMITTEE SHOULD BE PART II ACTIVITY IN OECD, ALTHOUGH AUSTRALIA THOUGHT POSSIBILITY OF REDUCING PART I RESOURCES TO COMPENSATE FOR COST OF THIS NEW COMMITTEE SHOULD BE CONSIDERED.
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